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NAIROBI FOR MICHAEL FITZPATRICK
SOUTHCOM FOR POLAD BARBARA MOORE
NSC FOR SUE CRONIN

E.O. 12958: DECL: 02/22/2016
TAGS: [PGOV](#) [PREL](#) [KDEM](#) [KCRM](#) [ENGR](#) [ECON](#) [PINR](#) [PA](#)
SUBJECT: PARAGUAY: MINISTER OF PUBLIC WORKS ON ANR
ELECTIONS, FUTURE PRIORITIES

REF: A. A) ASUNCION 200
[B. B\) ASUNCION 183](#)

Classified By: ECON Patrick R. O'Reilly for reasons 1.4(b),(d).

SUMMARY

[1](#)1. (C) In the Ambassador's introductory call on Minister of Public Works Jose Alderete, who was also President Duarte's campaign manager for the just concluded ANR internal elections, Alderete said the President's decisive win (with a margin of 31 points) was better than expected and provides Duarte with renewed political capital. He said he expects progress soon on the GOP's reform agenda. Alderete expressed appreciation for the U.S. government's support through the MCC Threshold Program, which he viewed as a recognition of the GOP's efforts to formalize the economy, fight IPR piracy and reduce contraband. He characterized the program as an important political boost at a key time, and expressed confidence that the GOP would work to comply with its commitments. The Ambassador raised the importance of the passage of the anti-money laundering law, and Alderete told the Ambassador that the law was important to the GOP, but acknowledged that gaining passage would require effort. The Ambassador noted that he had discussed a strategy with the Vice President, and offered to collaborate on pushing for passage of the law. Alderete identified "creating a market" as the GOP's number one priority, by which he meant formalizing the Paraguayan economy and making Paraguay a place attractive for investment. On the work of the Ministry, Alderete singled out road construction and specifically completion of the "bioceanic" project linking Paraguay to the Pacific via Bolivia and Chile as his first priority. The Ambassador and Alderete also discussed the ongoing exploration for hydrocarbons in western Paraguay. Alderete expressed optimism that commercial quantities would be found, and made a pitch for the Embassy to send would-be investors his way.
End Summary.

[1](#)2. (U) On February 21, Ambassador Cason, accompanied by Econcouns, had his introductory call on Minister of Public Works Jose Alderete, who as a close confidant of President Duarte served as his campaign manager for the just concluded Colorado Party (ANR) internal elections (ref A). Alderete was gracious, candid, and eager to establish a positive and productive relationship with Ambassador Cason.

ANR INTERNAL ELECTIONS -- THE COLORADO HOUSE IN ORDER

13. (C) Alderete was clearly pleased with President Duarte's strong showing in the ANR elections. He said the campaign team expected to beat the ODD/Stroessner ticket by at least 18 points, but thought the best they would do would be a 22 point difference. In fact, NDF received 31 percent more of the votes (63 percent for NDF versus 32 percent for ODD). Alderete sees this as an important political boost for the President. He called it a vote of confidence in NDF and his policies, and said the result was even stronger for the high voter turnout (for an internal party election) of nearly 48 percent of Colorados. He said that now the Duarte government has both legitimacy of entry (i.e., a clean 2003 election) as well as legitimacy of governance (i.e., the election represented almost a referendum on NDF's administration, with a very favorable result). He predicted that the President's hand would be strengthened and that the GOP would be able to make advances on its reform agenda.

14. (C) Alderete characterized the President's decision to run for the Presidency of the ANR as a great, but necessary risk.

If NDF had not achieved a strong mandate, he would be seriously weakened. However, he said that when three or four possible ANR candidates emerged, none of which could stand up to an ODD/Stroessner ticket, the President decided that he must run to obtain this mandate and unify the party. Alderete pointed out that while the elections were internal, the ANR is the country's most important party, and that the turmoil and unpredictability of the first 14 post-dictatorship years were entirely the doing of the Colorado Party. He felt that now, for the first time, the

President had the governability within the Party necessary to govern effectively. He named Stroessner nostalgia and Oviedismo as victims of this election that are now discredited.

MCC THRESHOLD PROGRAM IMPORTANT POLITICAL BOOST

15. (C) Alderete expressed appreciation for the U.S. government's support through the MCC Threshold Program, which he viewed as a recognition of the GOP's efforts to formalize the economy, fight IPR piracy and reduce contraband. He characterized the program as an important political boost at a key time, and expressed confidence that the GOP would work to comply with its commitments. The Ambassador emphasized the fact that the program and its goals were designed by the GOP, and that it was up to the GOP to live up to its own goals. He told Alderete that it was an ambitious program viewed in Washington as reflective of a serious desire to attack the roots of corruption. The topic of the GOP's seriousness led Alderete to criticize Transparency International, saying that while he had no problems with such organizations, he resented the apparent lack of appreciation for the progress the government has made so far, which he said included successes in the anti-piracy campaign and the passage of important legislation such as tax and pension reforms. He acknowledged, though, that Paraguay had a long way to go, and emphasized on more than one occasion the difficulty of formalizing the economy.

ANTI-MONEY LAUNDERING LEGISLATION

16. (C) The Ambassador raised the importance of the passage of the anti-money laundering law, and asked Alderete if he thought the votes were there for passage. Alderete told the Ambassador that the law was important to the GOP, but he acknowledged that gaining passage would require effort. He said that the Senate would be the problem, while he considered the Chamber of Deputies to be much more in the control of the ANR. He mentioned the Liberal Party (PLRA)

and Beloved Fatherland (PQ) parties in particular, and said that Embassy intervention would be valuable. The Ambassador noted that he had discussed a strategy with the Vice President, and offered to collaborate on pushing for passage of the law. (Note: Colorado claims that the opposition is holding up the law are false and self-serving; we are urging the President to use his influence to get his Senators in line, the crucial step for passage. End note.)

GOP's FUTURE VISION -- IMPORTANCE OF CREATING A MARKET

¶17. (C) Alderete identified "creating a market" as the GOP's number one priority, by which he meant formalizing the Paraguayan economy and making Paraguay a place attractive for investment. He underscored that the task is difficult, that the GOP is fighting vested interests, and that large numbers of jobs arise from informality. He cited the social unrest experienced by Gonzalo (Goni) Sanchez de Lozada, former President of Bolivia, as an example of the dangers of shifting from one economic model to another. He asserted that the GOP must be able to provide an alternative for those displaced through the process of formalization.

BIOCEANIC PROJECT PROGRESSING BUT GOOD NEIGHBORS HARD TO FIND

¶18. (C) On the work of the Ministry, Alderete singled out road construction and specifically completion of the "bioceanic" project linking Paraguay to the Pacific via Bolivia and Chile as his first priority. He praised the assistance the Ministry of Public Works and Communication (MOPC) has received from the InterAmerican Development Bank and the Texas Highway Institute associated with Texas A&M University.

He said work is well advanced on the project, and that he had met with former Bolivian President Mesa and former Chilean President Lagos in the negotiating phases. The road project should make Paraguayan projects more competitive in Asian markets by reducing transportation costs. According to

Alderete, the Bolivian road construction team is about 130 kilometers from the Paraguayan border. He expects the project to be completed by the end of 2007. The GOP considers the Chaco (Paraguay's sparsely inhabited western half) a priority, and Alderete said that about \$180 million of the \$300 million the Ministry will spend on public works will be spent in the Chaco.

¶19. (C) In the context of the bioceanic discussion, Alderete became fairly animated as he expressed his disdain for the rhetoric of Paraguay's neighbors, specifically Brazil. He said he had the good fortune of accompanying the President on his foreign trips and meetings with other heads of state. From the region, he said he has heard too much talking and seen too little action. He mentioned the MCC and concessional financing received from Japan as examples of foreign countries trying to help Paraguay. He contrasted this with Brazil, which offered Paraguay financing for road construction at 8 percent.

SEEKING HYDROCARBONS INVESTMENT

¶10. (C) The Ambassador asked about on-going petroleum exploration in the Chaco region. Alderete expressed optimism that usable resources will be found, but cautioned that more testing needed to be done to assess the viability. He noted that oil had been found in eastern Paraguay, but of a poor quality rendering it non-commercial. Alderete said he'd rather cut out middlemen and deal directly with potential investors in the energy sector, offering to make himself available to any investors who might inquire with the Embassy. In addition to the ongoing exploration (ref B), Alderete noted that 27 million hectares remain open for potential exploration.

BIO NOTES

¶11. (C) Alderete began the meeting by giving an overview of the early part of his 29-year political career, shedding light on the origins of his relationship with President Duarte. He said his interest in politics began as a student, and he participated in school government. He has always been a member of the ANR, and said he led a youth organization known as Ignacio Pani from 1985-1988 that worked against the Stroessner regime. Alderete said he could have left, but decided it was better to work against the dictatorship from within the Colorado Party. He fondly recalled the interest shown in him by then U.S. Ambassador Taylor, who attended the group's meetings from time to time. He told the Ambassador that he had participated in an International Visitor Program to the U.S. during that time, something he appreciated very much.

¶12. (C) Alderete said that President Duarte was a respected journalist for the still-existing newspaper Ultima Hora in those days, and that Duarte gave Alderete a voice, something he appreciated. He claimed to have played a key role in convincing Duarte to leave journalism in 1990 and enter politics, a move Alderete admired for the difficulty of making such a risky career change. Alderete was a Senator from 1993-1998. He does not speak English.

COMMENT

¶13. (C) If Alderete is correct about the recent ANR elections strengthening President Duarte, the next six months or so will be an excellent opportunity for the Duarte Administration to again make headway with a reform process that has largely stalled after a very successful first year. Both the MCC Threshold Program and possibly a new IMF agreement will provide ample opportunity to demonstrate political will.
CASON